

Review Article

The Historical Sociology of National Development Planning in Iran: Ideology, Rent and Contingencies Matter

İran’da Kalkınma Planlamasının Tarihsel Sosyolojisi: İdeoloji, Rant ve Olumsuzlukların Önemi

Naseraddin ALIZADEH

Dr. Öğretim Üyesi Karabük Üniversitesi, İİBF, Uluslararası İlişkiler Bölümü

alizadeh@karabuk.edu.tr

<https://orcid.org/0000-0002-0724-7394>

Makale Gönderme Tarihi	Revizyon Tarihi	Kabul Tarihi
23.04.2020	16.05.2020	27.05.2020

Abstract

Despite more than six decades of national development planning, Iran suffers from different economic shortcomings. Accordingly, this study aims to investigate the underlying reasons for setbacks and shortcomings in the national development planning in Iran. Studies devoted to analyzing the idea of development planning and economic setbacks in Iran can be categorized into two groups: the first group consists of studies that use tools of mainstream economics to understand causal relationships between variables while the second group involves scholarships that try to understand the role of country’s historical, social and political dynamics in the economic outcomes. This study adopts the historical sociology approach, to analyze the ideas put forth by the second group of scholars who have taken special dynamics of Iranian society into account. To this end, I examined the evolution of ideas developed by the second group of scholars. Moreover, I exploited statistics published by the Central Bank of Iran and Statistical Center of Iran to investigate the degree to which the ideas of the second group can explain the outcomes and shortcomings of the development plans implemented in Iran. The results of the study show that they diagnosed a lack of pragmatism, oil rents, and weak institutional conditions as the reasons for failure in development planning in Iran. These intertwined variables are constituent forces and outcomes of an economic ecosystem that have resisted long-term planning rationales. The study concludes that any social development that enhances inclusiveness in society through giving voice to outsiders along with improvement in the rules of the democratic game can promote social welfare as the most important target of a multidimensional development plan.

Keywords: Development Planning; Path Dependency; Oil rents; Pragmatism; Institutions; Iran.

Öz

İran’da altmış yıllık ulusal kalkınma planlaması geleneğinin varlığına karşın, ülke çeşitli ekonomik sorunlarla karşı karşıyadır. Bu araştırmanın temel amacı İran’ın kalkınma izlencelerinde gözlemlenen yetersizlikler ve başarısızlıkların temelinde yatan nedenleri incelemektir. Bu amaçla, araştırmada tarihsel sosyoloji yaklaşımı kullanılarak, İran’da ulusal kalkınma planlaması düşüncesi ve uygulaması irdelenmiştir. İncelemede İran Merkez Bankası ve İran İstatistik Merkezi’nin verilerinden yola çıkarak kalkınma projelerinin başarısızlığının altında yatan temel nedenler tartışılmıştır. İran’da kalkınma planlaması düşüncesi ve sonuçlarını ele alan araştırmaları iki gruba ayırabiliriz. Birinci gruptaki araştırmalar ana-akım iktisadın modellerini temel alarak “evrensel” modelleri İran verileriyle sınımlamıştır. Oysa, ikinci grup incelemeler evrensel modeller yerine ülkeye özel koşullar, olumsuzluklar ve toplumsal

Önerilen Atf/Suggested Citation

Alizadeh, N., 2020. The Historical Sociology of National Development Planning in Iran: Ideology, Rent and Contingencies Matter, *Üçüncü Sektör Sosyal Ekonomi Dergisi*, 55(2), 1237-1257

devinimleri göz önünde bulundurarak kalınma izlencelerinin sonuçlarını açıklamaya çalışmıştır. Bu doğrultuda, yazar İran'da kalkınma planlaması düşüncesi ve uygulamasının ülkenin tarihsel, toplumsal ve siyasal dinamiklerinin yansırı küresel eğilimlerden etkilendiğini ileri sürmektedir. Böylece, petrol gelirlerinden beslenen bir çeşit ideolojik pragmatizmin demokratik kurumların oluşumunu engelleyerek kalkınma planlamalarındaki eksikliklere yol açtığı saptanmıştır. İran'ın ekonomik ekosisteminin kurucu güçleri ve sonuçları olan söz konusu iç-içe örülmüş değişkenler uzun-dönem planlama rasyonelitesine karşı direnmiştir. Araştırmanın sonuçlarına göre, toplumda kapsayıcılığı artıran toplumsal ilerlemeler, ötekileşmiş kesimlere olanak sunarak demokratik oyunun kurallarında gelişmeye yol açıp çok-yönlü kalkınmanın en önemli amacı olan toplumsal refaha katkıda bulunabilir.

Anahtar Sözcükler: Kalkınma Planlaması, İzlek Bağımlılığı, Petrol Gelirleri, Pragmatizm, Kurumlar, İran.

1. Introduction

Following the humiliating consequences of the Russo-Qajar wars (1804-26), Abbas Mirza, a Qajar crown prince and war commander, attempted to modernize the state's army, city fortifications, and financial system. The lack of trained human resources led him to send the first students to Britain to learn modern sciences (Cronin, 2008: 204-211). The course of reforms in the state, driven by external shocks, ended in the constitutional revolution in 1906, which attests to the penetration of modern ideas among the newly formed urban intellectual, bazaar and cleric circles during the Late Qajar (Abrahamian, 1979: 391-407). Hence, the journey that started to empower the army and financial system to retaliate against Russian occupation evolved into a social movement in less than a century. The first hopes flourished as a result of the establishment of a constitutional monarchy turned into frustration when Majlis was attacked by the Russian Cossack Brigade and consequently dissolved (Rabi and Ter-Oganov, 2009: 446-448). The exiled politicians and students scattered in different parts of the world tried to understand the reasons for 'backwardness' in Iran. Deeply affected by Aryanist and modernist ideas, a group of these activists declared their support for a 'young despot' who could rejuvenate the 'old obsolescent' Qajar Iran's state, society and culture (Rahbar, 2007: 48-63; Fazeli and Gharegol, 2012: 25-34). These late Qajar and early Pahlavi modernist nationalists blamed the 'corrupted present' in order to project society into an ideal modern future. Idealizing the pre-Islamic past and modern Western civilization, they strived to reform the ethics, culture, and polity of Qajar Iran according to their hybrid archaist-futurist agendas (Fazeli and Gharegol, 2012: 14-24). These modernist nationalists, as the supporters of the "authoritarian modernization", played their role in the rise of Reza Shah to power, and served as the ideologues and key politicians of the Pahlavi regime. Therefore, renovation of the Iranian economy during Reza Shah's reign must be seen as a part of the broader efforts to build a new Iranian nation-state in the 20th century (Rahbar, 2007: 50-54).

Iran's first national development plan started in 1949 and, except for halting during the decade after the 1979 Islamic Revolution, 11 different plans have been implemented. Four decades after the 1979 Islamic revolution, and with more than six decades experience in official economic planning, Iran has a young educated population and has recorded progress in health, education, transportation, and military infrastructures; however, it suffers from negative growth rates, high unemployment, chronic two-digit inflation rates, severe devaluation in its currency, environmental disasters, low democratic standards and harsh sanctions imposed by the US. Adopting the methods used in the historical sociology this study aims to investigate the underlying reasons for setbacks and shortcomings in the national development planning in Iran. The progresses and setbacks in national development planning in Iran have been the topic of studies that can be categorized into two general groups. The first group includes the majority of studies done by economists to understand the relationship between various macroeconomic variables and find the optimal quantitative sizes of different policies for the Iranian case. The second group, including but not limited to economists, tried to develop theoretical frameworks that take historical sociology and the peculiar economic features of Iran into account. While the first approach is loyal to mainstream economics and only uses domestic data or adds new variables to check the results of 'universally' accepted models for the Iranian case, the second approach has attempted to provide new perspectives through considering the initial conditions of the Iranian economy, its unique sociopolitical and socioeconomic structure, the effect of contingencies, the

role of social and political procedures in path formation and their relevance to the global examples. Exploiting methods used by the second groups this study attempted to examine the underlying reasons for the shortcomings in the development planning ideas and practices in Iran. To this end, the historical sociology approach was adopted because on the one hand past decisions which caused changes in the initial conditions affected the scope and success of national planning, while on the other hand the ideas contributed to the reconstruction of planning narratives emerged in dialogue with the progress in planning, ideological trends, realities like oil revenues and contingencies like sanctions, war, and revolution.

Ideology vs. Pragmatism

Ideological priorities and lack of pragmatism are among factors taken as being responsible for the frustrating results of the economic planning in post-revolutionary Iran. Ayatollah Khomeini, the founding leader of the Islamic Republic of Iran, invited Islamic scholars to substitute “false economic system of the Islamic World” with the “Islamic economy” while his followers attempted to provide new conceptualizations based on Islamic rules and spirituality along with the eradication of economic dependency on the foreign countries and ‘westoxication’ (Mirsendsi, 1995; Karimi, 2001, Mousai, 2008). While the ideological orientations of post-revolutionary Iran are well-debated, the ethnic-based policies of the Pahlavi monarchs, their nation-building projects and new definitions of Iranianness have been largely ignored. Archaisms in the form of the reconstruction of the pre-Islamic ‘glorious Iranian history’, futurism in the form of the representation of the ideal modern Iran in continuum with her ‘immortal majestic’ past and blaming the present as the corrupt and inferior reality formed three pillars of the nationalist ideology of the Pahlavi monarchy (Vaziri, 1993; Katouzian, 1995; Marashi, 2008; Zia-Ebrahimi, 2011; Ansari, 2012; Rahbar, 2007). Top-down modernization combined with the nationalistic ambitions drove Reza Shah to implement a list of public projects assumed immediate and urgent to reform the army, transportation, education, and judiciary systems so as to provide center’s rule over the periphery (Ghods, 1991: 220-228; Pesaran, 1997). Ironically, Pahlavi and Islamic ideologies bear remarkable similarities in the sense that both blamed former dynasties for the so-called ‘corrupt present’, both have their own narratives of the ‘majestic ancient Iranian civilization’ with an exception that the Pahlavi regime put more weight on the pre-Islamic era whereas the Islamic Republic of Iran emphasizes Islamic history.

The rivalry between pragmatism and ideology also shaped the rationale and methods of national development planning in Iran. Despite lack of a methodological background (Daftary, 1973: 176), projects implemented during the reign of Reza Shah were partially in line with some propositions of modernization theory, which assumes modern states to be more powerful than traditional ones, considers tradition as the most important obstacle against the establishment of a modern nation-state, and supports urbanization (Tipps, 1973: 206-216; Reyes, 2001: 110-112). Similar ideological tendencies and methodological shortcomings continued during Mohammad Reza Shah's reign (1941-1979) as his first two development plans (1949-1962) were only a list of urgent projects (Arabmazar and Nourmohammadi, 2016: 23). The Third and Fourth Development Plans (1962-1972) should be considered as the first steps in designing a comprehensive development plan in Iran, because in spite of prioritizing ideological goals, the planners considered the setbacks of the former two plans, spotted the coordination problems among different government agencies and took the resources of all of the economy into account. Adoption of trial-error, successive approximation and Tinbergen stage methods in the first four development plans shows that lack of adequate statistics to apply more sophisticated planning methods, as well as ideological tendencies, restricted the scope of planning (Daftary, 1973: 181-196). These shortcomings got planners to cooperate with foreign advisors like Harvard Advisory Group, whose members came to the result that economic planning in Iran is futile due to poor institutional and social capacities (Ahmadian, 2004: 142). Oil revenues, as another reality of the Iranian economy, formed the backbone of the Fifth Development Plan (1973-78), leveraged ambitious nationalistic desires and brought about many more interventions in the economy (Walton, 1980: 284). Accordingly, adopted methods were in line with the Pahlavi regime’s ideological interests which caused state-induced changes in the initial conditions and path dependency over the passage of time.

The Pahlavi's time policy did not limit itself to the reconstruction of the images of the past and present Iran, but they tried to present their ideal future models partially based on the pre-Islamic Iran. Since their ideal societies could not accord with the realities of Iran to a great extent, they launched their own projects to create it. Tehran and some other large cities were in the heart of this project which led to a huge migration from rural areas to the main cities. State-led vast interventionist policies intended to make a country with modern prosperous cities and an ethnically homogeneous secular identity imposed significant economic and social costs on society. In order to establish a centralized system (Salehi-Isfahani and Pesaran, 2009: 183) in the first step Reza Shah harshly oppressed some nomadic groups and forced them to choose a sedentary lifestyle. His Persian Aryanist policy convinced him to passively take the Nazi's side during WWII which resulted in his exile in 1941 following the British and the USSR's occupation of Iran (Zirinsky, 1992: 640). His ethnic policies also set the ground for uprisings in the regions with the Turk and Kurd ethnic minorities in the 1940s. Mohammad Reza Shah's reign started with the military responses to these secessionist insurgencies (Hasanli, 2006). He supported the Iraqi Kurdish rebellions in the 1960s and 1970s which were settled by the Algiers Agreement in 1975. This agreement, along with the ideological ambitions of the Islamic Republic of Iran and the Baath Party in Iraq, triggered the eight-year war between the two countries in 1980 (Adib-Moghaddam, 2007: 67-68). These events reveal the social costs of the Pahlavi's ideological policies, whereas the 1979 revolution and the Iran-Iraq war show that the course of events can evolve into hardly predictable stages.

Promoting a young generation of inexperienced revolutionary politicians to positions of administrative status, the Islamic revolution resulted in a dramatic shift in policy-making criteria. Consequently, the secular nationalistic ambitions and protectionist policies of the Pahlavi regime evolved into an extensive nationalization in the economy including of the banking system and industrial sector, whereas the most important goal was the establishment of an Islamic economy and a pious society (Valibeigi, 1993). Therefore, new revolutionary administrators attempted to establish a domestic Irani-Islamic version of an economy according to Islamic doctrines (Samadian, 2014: 124-125). Passion for the establishment of an Islamic emancipating economic model did not go farther than the manipulation of the bank interest rates, seizure of the assets of the Pahlavi-related institutions and bans on commodities like alcohol. Failure to develop an Islamic economic system in the first decade of the revolution led to the implementation of interventionist policies that were contingent on circumstances, instead of the desired comprehensive method (Azimi, 1993: 57). Consequently, Iran did not implement any development plan during 1979-1989, while the Iran-Iraq war (1980-88) with ensuing embargoes, made politicians prioritize war issues, import-substitution plans and rationing of essential goods (Salehi-Isfahani, 2005: 4).

By the end of the war and the later death of Ayatollah Khomeini (1989), Iran started a course of Five-Year Economic, Social and Cultural Development Plans (FESCDP). Rafsanjani's government (1989-1997) aimed to restore the economy after the destruction of the eight-year war via the implementation of the First and Second FESCDPs (1989-1999) focusing on deregulation, privatization, and integration into the global economy; policies that ushered in an inverse trend in the economic policies of Post-Revolutionary Iran (Naini, 2005: 92; Arabmazar and Nourmohammadi, 2016: 31-34). Having been affected by global trends of neoliberalism, globalization, and the collapse of the Soviets, the Iranian version of development models adopted by Rafsanjani evolved into another hybrid model in the Khatami era (1997-2005) with much more emphasis on individual utilitarianism, freedom (Mardiha, 2018: 111-112), and integration with the world economy in the presence of parastatal bonyad's economic activities. Contrary to predictions, Khatami, who was supported by leftist-Islamists, preferred to implement the Second, Third and Fourth FESCDPs in line with policies suggested by the IMF, World Bank and World Trade Organization (Salehi-Isfahani, 2005: 5).

Some scholars believe that during the Rafsanjani and Khatami governments pragmatic rationality returned to the Iranian economy and policy (Alamdari, 2005: 1285; Alizadeh, 2013: 79-81); however, some other critiques assert that what was called pragmatism in this period was actually

the penetration of ‘universal’ modern ideologies that leveraged Neoclassical and Neoliberal development ideas (Hajihosseini and Aram, 2014: 2-3; Yousefinejad and Ezzati, 2016: 123). Katouzian (2005) remarks that contrary to the development of classical political economies in Europe, existing models of the economic and social analyses in Iran have not evolved in a dynamic condition. Accordingly, solutions that claim universality, like Neoclassical and Marxist development models, have minimum relevance to the realities of the Iranian economy, while their results cannot contribute to social and economic problem-solving in Iran. He concludes that the attribution of ‘universality’ to the models developed to deal with the economic problems of the Western countries, rather than the lack of theoretical tools and methods, has been the main barrier to the economic planning in third world countries (Katouzian, 2005: 150-157).

The assumed pragmatic period in the 1990s and the first half of the 2000s was reversed by Ahmadinejad’s first term presidency as a result of a revival of the ideals of the 1979 Islamic revolution. Promises on taking “the oil money to the people's dinner table” (Salehi-Isfahani, 2009: 6), when coupled with a boom in the oil incomes, fostered a course of petro-populism in his first term (Alizadeh, 2013: 78). Ahmadinejad’s second term witnessed a rise in state-led Islamic-nationalistic propaganda and devastating comprehensive sanctions. Although Ahmadinejad and his circle clearly rejected to implement the Fourth FESCDP (Amuzegar, 2010: 122), blaming it for being in line with the IMF’s policies. However, having faced budget deficits intensified by nuclear sanctions, he lifted subsidies and distributed oils incomes as direct cash assistance after 2010, the policy that ironically was in line with IMF policy suggestions (IMF, 2013).

Embargo-induced economic hardships leveraged President Rouhani’s agenda in the 2013 presidential election, including promises about the return to pre-Ahmadinejad economic models. His government’s early years coincided with the second half of the Fifth FESCDP (2010-2015) but he gave priority to the resolution of the nuclear dispute and inflation targeting. Rouhani’s accomplishment in reaching a deal with the five Western countries and Russia, along with the control of high inflation rates, was considered as a new era in the pragmatic policy, but President Trump’s decision in withdrawing from the deal reversed all accomplishments. The Islamic Republic of Iran responded to these sanctions by implementing new policies in line with the ‘resistance economy’ model which brought about more methodological confusion and broader interventions in the economy (Ghasimi, 2012; 180). So-called resistance economy, based on the import-substitution methods and efforts like smuggling to circumvent sanctions, put an end to the pro-market targets of the Rouhani government, making liberal figures of his government resign in 2018 (Salehi-Isfahani, 2018). These fluctuations between ideological priorities and pragmatism have led to the repetition of vicious cycles and deadlocks in Iranian policy, which affected development plans.

If one considers that politicians always make policy to maximize social welfare, the ideological policies of the Pahlavi or the Islamic Republic of Iran may seem irrational; however, the same argument would not necessarily be valid if we consider the effect of these policies on the interests of the insiders in each regime. The irrationality problem arises when scholars consider that leaders decide on behalf of all segments of society to maximize their utility and protect the ‘national interest’. However, leaders may not seem irrational if we assume that they are self-interested agents who try to maximize a skewed social welfare function based on factional interest putting more weight on the insiders’ concerns (Congleton et al, 2011: 8-9). Therefore, in examining the ideological-pragmatic duality in policy-making, three aspects should be considered: whose utility we are talking about; which factors affect their utility function; and finally, which restrictions they were subjected to while making policy? Iranian scholars who investigate the effect of risky or ineffective policies on social welfare overlook the fact that these policies helped regime insiders to consolidate their superior position for decades, either in the Pahlavi or the Islamic Republic of Iran. They also neglect the fact that politicians’ utility function could not be narrowed down to purely economic interests; rather, their egocentric ambitions alongside the insider’s shared factional values also would be in play while making a decision. Furthermore, the nature of the restrictions may change according to the nature of the utility function. For example, nation-building targets in the Pahlavi era ended in the marginalization of non-Persian ethnic identities

that were considered to be a restriction of national interests (Katouzian, 1995: 15-20) whereas the Islamist politicians did the same with the Pahlavi's official monarchist secular discourse and with the Sunni Muslim religious minority. Apart from the mental aspects of the utility functions and the reconstructed nature of the restrictions, cognitive lock-ins, lack of information and costs of path-breaking determine whether a policy is rational or not. Customary methods or lack of required information may cause self-interested politicians to make irrational decisions that damage their factional utility. Mistakes in estimating the cost of path-breaking, like Mohammad Reza Shah's attitude toward the costs of the top-down social and religious reforms, can also inflict damage on the factional utility function of the insiders. As a result, the existence of a 'factional pragmatism' implies that lack of inclusiveness instead of pragmatism has been the most important obstacle against policies that could contribute to the realization of optimal social welfare. Changes in the conditions that give voice to outsiders in a constructive way can enable them to affect decision-making procedures in favor of a larger part of society.

Finally, messianic claims of both the Pahlavi and the Islamic Republic of Iran which have resulted in huge social costs, have roots in their ideology and factional pragmatism. For instance, Mohammad Reza Shah, who would like to found a "great civilization" (Walton, 1980: 284), in an interview with Fallaci, the Italian journalist, claimed that his visions were inspired by God (Zonis, 1991: 150), whereas Ahmadinejad maintained that the Islamic Republic of Iran as the most glorious country in the world is not only to save the Islamic World but also wants to rescue all of humanity. Ahmadinejad also called Iran the harbinger of a global revolution that should carry out its universal mission, and claimed that Iran is the sole country with a capacity to introduce a new economic model based on justice and human values to provide a solution for the world's economic crisis (Amuzegar, 2010, 122-125). This ideological messianic stance enabled them to legitimize their rule either as the natural successors of the 'glorious monarchies' or as leaders of the Ummah, but society as a whole paid for it.

Oil as a Curse or as a Blessing

Considering oil resources as a blessing for the Iranian economy on the one hand and blaming it as a scapegoat for the economic problems on the other hand dates back to the 1970s. The tremendous and easily accessible oil windfalls have been a tempting reality which has been coupled with economic inefficiency as another reality of the oil-rich countries in the region (Sachs and Warner, 2001: 827-838). This dilemma raised questions about the existence of any causal relation between the oil incomes and low economic performances in Iran. 'Resource Course Theory', mainly formed around 'Dutch Disease Theory' (DDT) and 'Rent-Seeking Theory' (RST), was the first immediate conceptual tools to address this dilemma. Dutch disease is associated with a boom in a sector (e.g. the oil industry) which causes adverse effects on the other sectors of the economy. This phenomenon may lead to the "direct deindustrialization" which stems from a shift in the production and employment from lagging sectors toward the boomed sector (Corden, 1984). Moreover, the huge revenues from the boomed sector can result in an increase in the demand for labor and inflation in the un-tradable sectors like services at the expense of the lagged sectors which called "indirect deindustrialization" (Corden and Neary, 1984). Government intervention in the economy or considerable incomes from natural resources also can trigger rivalry among different groups in the economy leading to the misallocation of resources, an increase in the income gap and waste of resources in the unproductive rent-seeking efforts (Tullock, 1967; Krueger, "974). Foreign currency earned from the country's oil and oil-related products accounted for more than 80% of the Iranian foreign exchange inflow, more than 30% of the GDP and about 60% of the government budget on average since the First Development Plan was implemented in 1949 (Farzanegan, 2014: 248). While the adverse impact of an increase in oil exports on the non-oil export admits the existence of the crowding-out effect in the Iranian economy (Karamelikli et al, 2017: 540), other macroeconomic consequences are partially at odds with the predictions of DDT. An increase in the oil revenues depreciates domestic currency (Samadi et al, 2009: 24), gives impetus to the service and industry sectors (Mehrara, 2015: 55-56; Naderi and Zobeyri, 2016: 125), increases imports ((Mehrara, 2015: 24), adversely affects the agricultural sector (Bakhshi et al, 2016: 101), contributes to the government budget (Mohammadi

and Baratzadeh, 2013: 142-143) and promotes private investment (Gaskari and Eghbali, 2006: 61; Soleymannejhad et al, 2019: 149) in Iran. Therefore, contrary to the predictions of DDT, increases in the oil revenues not only have not crowded out private investment and production but improved it due to an increase in loans and capital commodity imports. Putting it in a nutshell, appreciation in the exchange rate along with the decrease in non-oil export and agricultural added value are in line with DDT's predictions; however, an increase in the private sector's production and improvement in the service sector, which hints at an increase in domestic demand, challenge it. Hence, pieces of evidence show that predictions of DDT are not completely compatible with the realities of the Iranian economy, which attests to the existence of a typical dynamism and logic in the economy.

Despite the partial capability of DDT, as a market-based theory, in explanation of the oil curse in the Iranian economy, RST, a theoretical tool based on political economy explanations (Deacon and Rode: 2015: 233), has been more attractive for Iranian scholars. Although RST primarily was put forth to explain the role of the monopoly and protectionist policies on the welfare loss (Tullock, 1967; Krueger, 1974, Posner, 1975). Iranian scholars adopted the main concept to elaborate on the adverse relationship between the high oil revenues and the relatively low economic performance in Iran. For instance, Mahdavi, an Iranian scholar, who coined the term "rentier state" shows that regular external rents provided by foreigners have a negligible effect on economic growth. He maintains that resources like oil revenues enable governments to finance public projects without a serious need to promote taxes, which in turn consolidate the government's power as an independent and significant player in the economy (Mahdavi, 1970: 432). Most of the rentier states are involved in the distribution or utilization of these rents, while they rarely contribute to the generation of rent wealth (Beblawi, 1987: 385).

The highly factionalized structure of the Iranian political system promotes endemic rivalries over the oil resources (Karshenas, 2005: 78-80). The rent literature argues that this feature provides an advantage for politically well-connected insiders, but also can trigger intensified rent-seeking infighting among different insider factions. Nevertheless, most of the studies equating income per capita to the social welfare level overlook estimating the effect of the oil rents on the other contributing factors of social welfare, such as income distribution among different segments of society. The relationship between oil rents and the welfare of the urban and rural populations provides valuable insights. When the Pahlavi regime was founded in 1925, Iran had an agrarian economy (Salehi-Isfahani and Pesaran, 2009: 177) based on land rents (Amuzegar, 1992: 414). The statistics of the first general census in 1956 show that 32% of the country's population used to live in the urban areas, but on the eve of the Islamic revolution in 1979 and later in 2016 this ratio amounted to 50% and 75% of the country's population respectively. These rapid changes in the population were a result of the modernization project fueled by the huge increases in the oil incomes and industrial and service parastatals. These dramatic changes in the lifestyle of the traditional part of the society in a short interval caused political unrest, one example of which contributed to a revolution in 1979 (Kamali, 1997). For example, while in 1959 agriculture's added value accounted for 38% of the GDP, oil and service's added values formed 12% and 41% of the GDP respectively; these values in 1976-77, the eve of violent uprising, amounted to 10%, 39%, and 38% of the GDP for the agricultural, oil, and service sectors respectively. The ratio of oil's added value to all other sector's added value was 18% in 1960, reached 30% in 1970, surged to 100% in 1974 and dropped to 30% again in 1978. In other words, the oil revenues accounted for roughly one-third of the GDP in the decade ending with the 1979 revolution, with a dramatic increase from 1970 to 1974, which during the peak oil revenues composed half of the GDP and then experienced a free-fall in the following five years. Due to its weight in the value of total exports - which stem from its feature as a foreign currency as well as its quantity- oil incomes significantly affected the economy even prior to the 1960s and during the Reza Shah era. The quality and quantity of the oil revenues in the 1970s went beyond the pure crowding out effect for five reasons. Firstly, these revenues witnessed harsh fluctuations causing instability in the economy. Mohaddes and Pesaran (2013), reviewing one hundred years of oil incomes in the economy of Iran, depict that oil incomes give impetus to economic growth; thereby, oil resource

is not a curse per se, rather poor institutional conditions and high volatility in oil incomes have been the main source of welfare losses. High inflation rates, fluctuation in oil incomes due to the changes in either oil export or the oil prices, along with the instability in the exchange rate, have led to poor economic performance in Iran (Samadi et al, 2009; Menshadi and Pourrahim, 2013). Secondly, while half of the population used to live in rural areas in the 1970s, urban-based development plans skewed distribution patterns in favor of the urban population (Vakil, 1997: 724-725) by channelizing these resources to the state-led industrialization, private and service sectors (Salehi-Isfahani and Pesaran, 2009: 189). Thirdly, it caused a huge surge in the regime's incomes compared to the rest of the economy, paving the way for ideological ambitions and rent-seeking. Fourthly, the ever-deepening dependency on the oil paves the way for the emergence of a new economic environment, lifestyles, interest groups, and social arrangements that resist economic reforms. For instance, high energy intensity in industry, communication, housing, and even agriculture entails any reform to be accompanied by other compensating costly subsidies. In a normal situation, the Iranian economy would lose its competition ability without low energy prices while energy reforms entail changes in whole economy and citizen's lifestyles. Fifthly, the easily seizable nature of the oil revenues as a 'point resource' changed governments' nature to that of a patriarchal distributor of the resources and runner of the economic activities (Auty, 2001; Bulte, 2005). These four characteristics not only changed the quality of economic activities but were also accompanied by crucial changes in society, culture, and polity. To understand the development path of Iran, comparison with the US and European cases can be useful. As Abramovitz (1986) depicts, the US benefited from significant land and mineral rents in the 19th and 20th centuries, facilitating its 'catch-up' and 'leave-behind' procedures with the European economies. Contrary to the oil point resources, 'diffuse resources' like land and mineral rents are costly for governments to control (Auty, 2001). As a result, different parts of society including the public sector, capitalists, landlords, farmers, along with land and mine workers, take their share from land rents according to their power. This circulation of rents and profits continues as a result of the trickle-down and trickle-up procedures affecting different parts of the economy, including industrial and service sectors. On the other hand, oil point resources can easily be controlled and monopolized by the government, while the huge difference between its market price and production cost makes it highly profitable compared to the other commodities, although its drilling creates negligible employment opportunities (Katouzian, 2005: 164). As a result, oil incomes trickle up to the treasury during added value creation, whereas the trickle-down effect depends on the decisions of government and power balance between rent-seekers, who control political power, and outsiders. Such a significant source with peculiar quantitative and qualitative features caused changes in Iranian society which were different from development experiences in the West. In Europe, when the new forms of the industrial production emerged during the 17th-19th centuries, the religion's political power had already been restricted and society's wealth was mostly in the hands of the feudal structures and states (Moore, 2003; Harley, 2014); however, on the eve of the state-led modernization in Iran in the 1920s, clerics had a considerable effect on the policy through close relationships with the traditional bazaar, landlords, subjects, state and even constitutionalists of the late Qajar era (Abrahamian, 1982; Keddie, 1983). When the oil factor turned out to be significant, the Pahlavi Shahs could marginalize religious societies via secular reforms, landholders by land reforms in 1962, bazaar through the formation of a new service sector, and the majority of the population including peasants and ethnic minorities via urban-based nationalistic reforms (Walton, 1980). The Pahlavi regime could not control the pace and direction of the changes, whereas the marginalized Shia clerics and newly emerged educated activists mobilized mostly migrant atomized populations in the main cities to topple down the Pahlavi regime (Keddie, 1983: 595). Consequently, different sources of power including, religion, oil and non-oil economy, bureaucracy, judiciary, legislation, traditional hierarchy, media and military were concentrated in the hands of the Islamic Republic of Iran.

Rent-seeking, either as a consequence of oil windfalls or poor institutional conditions, caused different dilemmas in the Iranian economy intensifying lock-in problems. The banking dilemma is one of them and has plagued the banking system. The phenomenon emerged when the Islamic Republic of Iran attempted to establish an Islamic banking system without an interest rate.

Although such a goal has never been realized, pressure on the banks to decrease the interest rates of loans and deposits in the presence of long-run two-digit inflation rates channelized liquidity to the other markets. To attract this liquidity, which was vital for the banking system and inflation control in the other markets, deposit rates increased to the extent that banks could not get profit from loans. Tens of years of lack of profitability without any significant bankruptcy report illustrates that governments have channelized public resources to the banking system to offset their losses (Karamelikli and Alizadeh, 2017). These rents pave the way for the proliferation of parastatal banks and funding institutions, which in turn sets the ground for the formation of new interest groups (Harris, 2013; Mazarei, 2019: 9-10). The economic ecosystem, including economic relations and interest groups formed around these bank rents, has resisted reforms that aim to put the banking system on a path to competitiveness (Karamelikli and Alizadeh, 2017: 54-56). A similar procedure caused a dilemma in the foreign currency market, due to the allocation of subsidized official foreign currencies for some commodities and groups, for decades after the revolution. For instance, the market exchange rate was 20 times greater than the subsidized official exchange rate in some years of the 1990s. Well-connected groups that have access to these rents took advantage of this to import goods, which adversely affected domestic production (Pesaran, 1992: 115-119; Kamalian et al, 2009: 3), while there are reports that show significant parts of these currency resources were illegally sold in the domestic market (Donyaye-Eghtesad, 2018). This policy caused deepened path dependency because the unification of exchange rates strictly exacerbates the inflation rate by inducing a huge increase in the prices of the imported basic and capital commodities on the one hand, and on the other hand the privileged insiders would resist any policy which put their rent sources at stake (Valadkhani, 2001: 8; Yalçıntaş and Alizadeh, 2020). As a result, rent-seeking leads to welfare loss through wasting public resources and affecting income distribution in favor of the most influential insiders. It also causes lock-ins by paving the way for the formation of economic deadlock and intertwined dilemmas, which in turn increase the social costs of economic reforms.

Democratic Institutions and Inclusiveness

The existence of resource-rich developed countries like Norway and the US on the one hand, and resource-poor undeveloped countries, on the other hand, cast doubt on the presumed adverse causal relation between oil resources and welfare level (Herb, 2005). Looking for an explanation, Ross (2001) comes to the result that entrance into the developed countries' club is not possible without democratic institutional preconditions. It is widely accepted that powerful opposition parties, fair election mechanisms, safe and effective judicial systems alongside a free media can increase transparency and accountability, which is essential for a democracy (Harrison and Sayogo, 2014: 1-6). Some scholars investigated the effect of the oil revenues on the formation and features of the middle class in Iran. These studies emphasize the historical role of a capable middle class in democratic social and political changes. The role of the state in the formation and development of the middle class in Iran is of great importance. Oil revenues enabled both the Pahlavi regime and the Islamic Republic of Iran to hinder the emergence of an independent modern middle class as the constitutive force of a capable civil society (Katouzian, 2005: 164; Zahirnejad, 2014: 63). The Pahlavi regime formed a new middle class to function as an exemplary model of the emerging Iranian nation which was under construction (Habibi, 2017: 37-40), whereas the Islamic Republic of Iran attempted to replace it with a new pious middle class via providing employment and education opportunities or wealth redistribution rents (Zahirnejad, 2014: 71-74). Farzanegan et al (2017) show that an increase in oil rents positively affects the size of the middle class but at the same time enables the government to impose more control on civil society; a phenomenon that gives impetus to social conflicts. On the other hand, ideological confrontations and ensuing sanctions skewed income distribution patterns at the expense of decreases in the welfare of some segments of Iranian society especially the poor and middle class, women and patients. In addition to the negative effects of the sanctions on the realization of growth targets of development plans, they also adversely affected the middle-income class, especially in the urban area, pushing them to converge to the low-income deciles (Parvin and Banoui, 2017); the fact shows that imposing sanctions on the pretext of bringing democracy to

Iran destroys the middle class, institutes, and civil society. Statistics also show that the sanction-induced high inflation rates caused 150% and 100% decreases in real minimum wages during 2010-2012 and during the last US sanctions in 2018 respectively. Following the comprehensive sanctions in 2010 child work and child marriage witnessed 100% and 20% increases respectively, while sanctions in 2018 made at least 720 thousand Afghan asylum-seekers leave Iran in 10 months according to IOM and UNHCR reports (Alizadeh, 2019). Sanctions also violated the Iranian's rights to access health care and a healthy environment. The 2010-2015 comprehensive sanctions caused a 44% shortage in the supply of drugs that are categorized as essential medicines by WHO (Setayesh and Makey, 2016). UNAIDS statistics indicate that in 2016 only 14% of the people living with HIV had access to mainly imported medicines. These sanction-induced obstacles contributed to 21% and 14% increases in the rates of HIV-related infections and mortalities respectively. Barriers against the import of environmentally friendly commodities and technologies along with the budget deficits after 2010 also intensified the widening environmental disaster in Iran (Madani et al, 2016). The World Bank statistics show a 14% increase in CO2 emissions from 2010 to 2014, widely due to the substitution of low-quality domestic fuel with imported high-quality alternatives as well as an 80% decrease in public spending on environmental issues. As a result, the Iranian economy, which faced various devastating sanctions, could not reach multidimensional development targets while the regime was in a survival mode and deprioritized vital needs of the most vulnerable parts of society and sustainable green development goals.

Discussing the logic of power structure in the Islamic Republic of Iran, Alamdari (2005) attributes the undemocratic conditions of Iran to the distortion of the class system in the wake of populism and clientelism as two non-class power structures (for discussion about populism see: Fedayi and Yildirim, 2019). Contrary to the horizontal nature of the class system, populism and clientelism are based on vertical relationships among the clan-like competing groups and factions. While populism destroys the middle class as an important force for democratic transitions, clientelism paves the way for family and mafia-style patron-client relations. In the modern version of clientelism, patrons provide public rents to the clients, where unequal relations among patrons and clients guarantee loyalty. Hence, clientelism emerges when there are shortcomings in the legal system; the phenomena that promote rent-seeking from public resources like oil incomes to purchase the loyalty of some segments of society. Similarly, Bjorvatn and Selvik (2008: 2322) argue that post-revolutionary Iran's polity has been marked by the faction-based destructive rivalry over resources, which undermines development goals and triggers harsh rent-seeking contributions. Their findings illustrate that, contrary to the predictions of the rent-seeking literature, a peculiar multi-center decision-making structure in Iran would not pave the way for high economic performance. Either the balanced power among factions which intensifies strict rent-seeking, or the strict imbalanced power between factions which facilitated rent-seeking due to the decrease in the costs of rent-seeking for the dominant faction, cause welfare loss. These findings show how oil as a reality has locked the Iranian economy in the paths that make welfare loss inevitable in both cases.

Searching for the underlying reasons for the underdevelopment in Iranian history Katouzian (2005: 156-157) comes up with the idea that the short-term essence of Iranian society and its historically poor legal system have hindered cumulative changes in the long term. He coins the term 'the pick-ax society' to elaborate on the short-term improvements followed by immediate arbitrary pick-ax treatments in Iranian society. Katouzian's idea can be extended to explain the destructive instabilities like high inflation rates, ideological decisions that caused internal or external confrontations and violations of human rights, but it also raises questions about the main underlying reasons for the relevance of such a 'logic and sociology' in the Iranian case. Assuming the fact that destructive policies have their roots mainly in ideological decisions or despotic interests, it seems that lack of inclusiveness and the highly unequal power distribution among different insider and outsider groups hindering the inter-society power balance have contributed to the problem.

Conclusion

Development planning in Iran has its roots in the renovation attempts of the Qajar statesmen in the 19th century and Reza Shah's modernization and state-building policies in the first half of the 20th century. Therefore, efforts that started to reform state structure in the Qajar era turned into the vast intervention in the culture, polity, and economy in the Pahlavi regime and the Islamic Republic of Iran. Such an interventionist modernization bore some implications. First of all, those who had access to power sources made decisions about a wide range of private and public issues on behalf of others. Intervention enabled the privileged parts of society to take advantage of state power to obtain private rents or dictate faction-based ideological ambitions at the expense of public resources. Moreover, the quantity and quality of oil incomes changed the scope and features of the interventions. Oil revenues constituting more than 80% of the foreign currency inflow, 30% of the GDP and more than 60% of the government budget during the last seven decades strictly changed the initial condition of the economy and led to two contradicting results. On the one hand, this phenomenon formed a new economic environment marked by the parastatal organizations, energy intensified production methods, distortion in the price system, self-enforcing economic dilemmas and interest groups all of which locked the economy in the paths that resist reforms and planning. On the other hand, these revenues fueled ideological adventures and factional confrontations which led to various sanctions, war, and uprisings, being the main reasons for instability in Iran. Furthermore, monopolized control of the oil point resources enabled the Pahlavi regime and the Islamic Republic of Iran to forge rentier dependent classes at the expense of shrinking in the traditional urban, rural and, ethnic segments of society. The devastation of the traditional social forces and the emergence of the dependent classes attest to the lack of important players in society and poor democratic institutions as the rules of a democratic game. Finally, the short-term interests, social costs of path-breaking and ideological priorities hindered the implementation of long-term policies that can improve social welfare in Iran. Development planning experience in Iran shows that the formation of effective social forces among the outsiders and democratic institutions can increase inclusiveness which in turn improves the social welfare level.

References

- Abrahamian, E. (1979). "The Causes of the Constitutional Revolution in Iran", *International Journal of Middle East Studies*, 10(3), 381-414.
- Abrahamian, E. (1982). *Iran Between Two Revolutions*, Princeton: Princeton University Press.
- Abramovitz, M. (1986). "Catching Up, Forging Ahead, and Falling Behind", the *Journal of Economic History*, 46(2), 385-406.
- Adib-Moghaddam, A. (2007). "Inventions of the Iran-Iraq War", *Critique: Critical Middle Eastern Studies*, 16(1), 63-83.
- Ahmadian, R. (2004). "Tasire Degargunihaye Eqtesadi-Ejtemai dar Sheklgiriye Nezame Barnameriziye Shahriye Iran", *Ettelaate Siyasi-Eqtesadi*, 19(209-210), 140-149.
- Alamdari, K. (2005). "The Power Structure of the Islamic Republic of Iran: Transition from Populism to Clientelism, and Militarization of the Government", *Third World Quarterly*, 26(8), 1285-1301.
- Alizadeh, N. (2019). "Who Were the Main Targets of Sanctions against Iran: Insiders or Outsiders?", *Political Economy*, 1(6), 1-22.
- Alizadeh, P. (2013). "The Political Economy of Petro Populism and Reform, 1997-2011", in Alizadeh, P., and Hakimian, H. (Eds.) *Iran and the Global Economy: Petro Populism, Islam and Economic Sanctions*. London and New York: Routledge:124-149.
- Amuzegar, J. (1992). "The Iranian Economy before and after the Revolution", *Middle East Journal*, 46(3), 413-425.
- Amuzegar, J. (2010). "Iran's Fourth Plan: A Partial Assessment", *Middle East Policy*, 17(4), 114-130.

- Ansari, A. M. (2012). *the Politics of Nationalism in Modern Iran*, Cambridge: Cambridge University Press.
- Arabmazar, A., and Nourmohammadi, KH. (2016). "Tahlile Enteqadiye Hadafhaye Eqtesadiye Barnamehaye Tovsee dar Iran", *Motaleat va Tahqiqate Ejtemai dar Iran*, 5(1), 19-42.
- Auty, R. M. (2001). "The Political Economy of Resource-Driven Growth", *European economic review*, 45(4-6), 839-846.
- Azimi, H. (1993). "Ayandeye Taghyirate Eqtesadi-Ejtemai dar Iran", *Eqtesade Keshavarzi va Tovsee*, 5(2), 54-68.
- Bakhshi, P., Raheli, H., and Qahramanzadeh, M. (2016). "Tasire Shokhaye Daramadhaye Nafti va Naetminani Nashi az Navasanhaye Araz Bar Roshde Bakhshes Keshavarzi dar Iran", *Tahqiqate Eqtesade Keshavarzi*, 8(31), 101-122.
- Beblawi, H. (1987). "The Rentier State in the Arab World", *Arab Studies Quarterly*, 9(4), 383-398.
- Bjorvatn, K., and Selvik, K. (2008). "Destructive Competition: Factionalism and Rent-Seeking in Iran", *World Development*, 36(11), 2314-2324.
- Bulte, E. H., Damania, R., and Deacon, R. T. (2005). "Resource Intensity, Institutions, and Development", *World Development*, 33(7), 1029-1044.
- Central Bank of Islamic Republic of Iran. Statistics were available at 22 September 2019: https://www.cbi.ir/default_en.aspx.
- Congleton, R. D., Batinti, A., Bose, F., Kim, Y., and Pietrantonio, R. (2011). "Public Choice and the Modern Welfare State, On the Growth of Government in the Twentieth Century", *Elgar Companion to Public Choice*. Cheltenham: Edward Elgar.
- Corden, W. M., and Neary, J. P. (1982). "Booming Sector and De-industrialisation in a Small Open Economy", *The Economic Journal*, 92(368), 825-848.
- Corden, W. M. (1984). "Booming Sector and Dutch Disease Economics: Survey and Consolidation", *Oxford Economic Papers*, 36(3), 359-380.
- Cronin, S. (2008). "Importing Modernity: European Military Missions to Qajar Iran", *Comparative Studies in Society and History*, 50(1), 197-226.
- Daftary, F. (1973). "Development Planning in Iran: A Historical Survey", *Iranian Studies*, 6(4), 176-228.
- Deacon, R. T., and Rode, A. (2015). "Rent Seeking and the Resource Curse. in Congleton", R. D., and Hillman, A. L., *Companion to the Political Economy of Rent Seeking*. Northampton: Edward Elgar Publishing: 227-247.
- Farzanegan, M. R. (2014). "Military Spending and Economic Growth: The Case of Iran", *Defence and Peace Economics*, 25(3), 247-269.
- Farzanegan, M. R., Alaedini, P., and Azizimehr, K. (2017). *Middle Class in Iran: Oil Rents, Modernization, and Political Development* (No. 56-2017). Joint Discussion Paper Series in Economics.
- Fazeli, N., and Gharegol, H.S. (2012). "The Role of Late Qajar Period Intellectuals in the Formation of the First Modern State in Iran", *Journal of Historical Sociology*, 4(2), 1-45.
- Fedayi, C., and Yildirim, O. (2019). "Popülizm: İdeolojisizliğin İdeolojisi ya da İktidar İdeolojisi", *Third Sector Social Economic Review*, 54(4), 1857-1874.
- Gaskari, R., and Eqbali, A. (2005). "Asare Shoke Nafti bar Sarmayegozari Bakhshes Khosusi dar Iran", *Pajhouheshha Ve Siyathaye Eqtesadi*, 13(36), 62-75.

- Ghasimi, M. R. (1992). "The Iranian Economy after the Revolution: An Economic Appraisal of the Five-Year Plan", *International Journal of Middle East Studies*, 24(4), 599-614.
- Ghods, M. R. (1991). "Government and Society in Iran, 1926-34", *Middle Eastern Studies*, 27(2), 219-230.
- Habibi, R. (2017). "The Institutionalization of Modern Middle Class Neighborhoods in 1940s Tehran—Case of Chaharsad Dastgah", *Cities*, 60, 37-49.
- Hajihosseini, B., and Aram, E.S. (2014). "Tahlile Goftemane Dovlate Eslahat va Jaygahe Faqrzodayi dar An", *Faslnameye Barnameh-Riziye Refah va Tovseeye Ejtemai*, 6(21), 1-24.
- Harley, C. K. (2013). *British and European Industrialization* (No. _111). University of Oxford, Department of Economics.
- Harris, K. (2013). "The Rise of the Subcontractor State: Politics of Pseudo-privatization in the Islamic Republic of Iran", *International Journal of Middle East Studies*, 45(1), 45-70.
- Harrison, T. M., and Sayogo, D. S. (2014). "Transparency, Participation, and Accountability Practices in Open Government: A Comparative Study", *Government Information Quarterly*, 31(4), 513-525.
- Hasanli, J. (2006). *At the Dawn of the Cold War: The Soviet-American Crisis over Iranian Azerbaijan, 1941-1946*. Lanham, Md: Rowman and Littlefield Publishers.
- Herb, M. (2005). "No Representation without Taxation? Rents, Development, and Democracy", *Comparative Politics*, 37(3), 297-316.
- IMF (2013). "Energy Subsidy Reform: Lessons and Implications", Report, *International Monetary Fund*. Available At: <https://bit.ly/2mkgmud>.
- Jalali-Naini, A. R. (2005). "Capital Accumulation and Economic Growth in Iran: Past Experience and Future Prospects", *Iranian Studies*, 38(1), 91-116.
- Kamali, M. (1997). "The Modern Revolutions of Iran: Civil Society and State in the Modernization Process", *Citizenship Studies*, 1(2), 173-198.
- Kamalian, A. R., Valadkhani, A., and Nameni, M. (2009). "How Can Iran's Black Market Exchange Rate Be Managed?" Available At: <https://bit.ly/2ksiddc>.
- Karamelikli, H., and Alizadeh, N. (2017). "İran İslami Bankacılık Sistemi Üzerine Bir Değerlendirme", *Bankacılık ve Sigortacılık Araştırmaları Dergisi*, 2(11), 36-58.
- Karamelikli, H., Akalin, G., and Arslan, U. (2017). "Oil Exports and Non-Oil Exports: Dutch Disease Effects in the Organization of Petroleum Exporting Countries (OPEC)", *Journal of Economic Studies*, 44(4), 540-551.
- Karimi, H. (2001). "Tovseye Eqtesadi az Didegahe Hazrate Emam Khomeyni", *Basirat*, 10(28-29), 48-64.
- Karshenas, M., and Hakimian, H. (2005). "Oil, Economic Diversification and the Democratic Process in Iran", *Iranian Studies*, 38(1), 67-90.
- Katouzian, H. (1995). "Problems of Political Development in Iran: Democracy, Dictatorship or Arbitrary Government?", *British Journal of Middle Eastern Studies*, 22(1-2), 5-20.
- Katouzian, H. (2005). "The Significance of Economic History, and the Fundamental Features of the Economic History of Iran", *Iranian Studies*, 38(1), 156-157.
- Keddie, N. R. (1983). "Iranian Revolutions in Comparative Perspective", *The American Historical Review*, 88(3), 579-598.
- Krueger, A. O. (1974). "The Political Economy of the Rent-Seeking Society", *The American Economic Review*, 64(3), 291-303.

- Madani, K., Aghakouchak, A., and Mirchi, A. (2016). "Iran's Socio-Economic Drought: Challenges of a Water-Bankrupt Nation", *Iranian Studies*, 49(6), 997-1016.
- Mahdavy, H. (1970). "The Patterns and Problems of Economic Development in a Rentier State: the Case of Iran", in Cook, M. A., (Ed.), *Studies in Economic History of the Middle East*. London: Oxford University Press: 428-467.
- Marashi, A. (2011). *Nationalizing Iran: Culture, Power, and the State, 1870-1940*. Seattle, WA: University of Washington Press.
- Mardiha, M. (2018). "Naqshe Tovseye Eqtesadi dar Tahavvole Farhangi; Dovrane Pasajang dar Iran", *Pajhouheshnamehye Olume Siyasi*, 13(2), 87-116.
- Mazarei, A. (2019). "Iran Has a Slow Motion Banking Crisis", *PIIE*, Available at <https://www.piie.com/system/files/documents/pb19-8.pdf>
- Mehrara, M., Mojab, R., and Jabal-Ameli, F. (2015). "Shoke Daramade Naft va Arzeshe Afzudeye Haqiqiye Bakhshhaye Eqtesad", *Pajhouheshnameye Pouli-Banki*, 8(23), 39-58.
- Menshadi, M.D., and Pourrahim, P. (2013). "Barrasiye Rabeteye Beyne Bisebatiye Eqtesadiye Kalan va Roshde Eqtesdi dar Iran", *Pajhouheshha va Siyasathaye Eghtesadi*, 21(67), 171-192.
- Mirsendes, M. (1995). "Anasore Mosaed va Namosaede Toseye Eqtesadi az Didgahe Emam Khomeyni", *Mesbah*, 3(12), 59-83.
- Mohaddes, K., and Pesaran, H. (2013) "One Hundred Years of Oil Income and Iranian Economy: a Course or a Blessing", in Alizadeh, P., and Hakimian, H. (Eds.), *Iran and the Global Economy: Petro Populism, Islam and Economic Sanctions*. London and New York: Routledge:12-45.
- Mohammadi, H., and Baratzadeh, A. (2013). "Tasire Shokhaye Manfiye Daramdhaye Nafti Bar Makhareje Dovlat va Naqdineqi dar Iran", *Pajhouheshnameye Eqtesade Enerjiye Iran*, 2(7), 129-145.
- Moore, J. W. (2003). "Nature and the Transition from Feudalism to Capitalism", *Review: A Journal of Fernand Braudel Center*, 26(2), 97-172.
- Mousai, M. (2008). "Pishniyazhaye Farhangiye Tovseye Eqtesadi az Didgahe Eslam", *Rahborde Tovsee*, 4(14), 136-164.
- Parvin, S. and Banoui, A. (2017). "Asar va Tabaate Ejrave Marhaleye Avval Qanune Hadafmandsaziye Yaraneha bar Refahe Dahakhaye Payne Daramadi", *Faslnameye Pajouheshhaye Eqtesadi*, 17(3), 193-225.
- Pesaran, H. (1997). "The Iranian Economy During the Pahlavi Era", in Yarshater, E. (Ed.), *Encyclopaedia Iranica, Vol. VII*, LONDON: 143-156.
- Posner, R. A. (1975). "The Social Costs of Monopoly and Regulation", *Journal of Political Economy*, 83(4), 807-827.
- Rabi, U., and Ter-Oganov, N. (2009). "The Russian Military Mission and the Birth of the Persian Cossack Brigade: 1879–1894", *Iranian Studies*, 42(3), 445-463.
- Rahbar, M. (2007). "Nokhbegan va Sheklgiriye Goftemane Tovse dar Iran", *Pajhouheshe Hoghugh Ve Siyasat*, 9(22), 41-66.
- Reyes, G. E. (2001). "Four Main Theories of Development: Modernization, Dependency, World-Systems and Globalization", *Nómadas. Revista Crítica De Ciencias Sociales Y Jurídicas*, 4(2), 109-124.
- Ross, M. L. (2001). "Does Oil Hinder Democracy?", *World Politics*, 53(3), 325-361.

- Sachs, J., and Warner, A. M. (2001). "The Curse of Natural Resources", *European Economic Review*, 45(4-6), 827-838.
- Salehi-Esfahani, D. (2018). "Iran's Economic Reforms in Retreat", *Brooking*, Available at: <https://Brook.Gs/2lwmqaf>.
- Salehi-Isfahani, D. (2005). "Iran's Third Development Plan: A Reappraisal", *Department of Economics, Virginia Tech. Available Online At: Http://Www. Filebox. Vt. Edu/Users/Salehi/Replytoamuzegar.Pdf*.
- Salehi-Isfahani, H. S., and Pesaran, M. H. (2009). "The Iranian Economy in the Twentieth Century: A Global Perspective", *Iranian Studies*, 42(2), 177-211.
- Samadi, S., Yahya-Abadi, A. and Moallemi, N. (2009) "Tasire Shokhaye Qimatiye Naft bar Motaghayyerhaye Eqtesade Kalan dar Iran", *Pajhouheshha Ve Siyasathaye Eqtesadi*, 17(52), 5-26.
- Samadian, S. M. (2014). "The Role of Government in Iranian Banking System, 2001-11", in Alizadeh, P., and Hakimian, H. (Eds.), *Iran and the Global Economy: Petro Populism, Islam and Economic Sanctions*. London and New York: Routledge:124-149.
- Setayesh, S., and Mackey, T. K. (2016). "Addressing the Impact of Economic Sanctions on Iranian Drug Shortages in the Joint Comprehensive Plan of Action: Promoting Access to Medicines and Health Diplomacy", *Globalization and Health*, 12(1), 1-14.
- Soleymannejhad, I., Faaljou, H., and Heydari, H. (2019). "Tasire Shokhaye Daramade Nafti bar Motaghayyerhaye Kalan Eqtesadi", *Pajhouheshhaye Eqtesade Karbordi*, 6(1), 149-182.
- Statistical Center of Iran. Available at 22 September 2019: shorturl.at/erKQZ.
- Tipps, D. C. (1973). "Modernization Theory and the Comparative Study of Society: A Critical Perspective", *Comparative Studies in Society and History*, 15(2), 199-226.
- Tullock, G. (1967). "The Welfare Costs of Tariffs, Monopolies, and Theft", *Economic Inquiry*, 5(3), 224-232.
- Vakil, F. (1977). "Iran's Basic Macroeconomic Problems: A Twenty-Year Horizon", *Economic Development and Cultural Change*, 25(4), 713-729.
- Valadkhani, A. (2001). "An Analysis of Iran's Third Five-Year Development Plan in the Post-Revolution Era (2000-2005)", *Journal of Iranian Research and Analysis*, 17(2), 1-21.
- Valibeigi, M. (1993). "Islamic Economics and Economic Policy Formation in Post-Revolutionary Iran: A Critique", *Journal of Economic Issues*, 27(3), 793-812.
- Vaziri, M. (1993). *Iran as Imagined Nation: The Construction of National Identity*. New York: Paragon House.
- Walton, T. (1980). "Economic Development and Revolutionary Upheavals in Iran", *Cambridge Journal of Economics*, 4(3), 271-292.
- Yalçintas, A., and Alizadeh, N. (2020) "Digital Protectionism and National Planning in the Age of the Internet: The Case of Iran", *Journal of Institutional Economics*, 1-18 (<https://doi.org/10.1017/S1744137420000077>)
- Yousefinejhad, A. and Ezzati, M. (2016). "Tahlile Mohtavaye Barnamehaye Sevvom va Chaharrome Tovseye Jomhuriye Eslamiye Iran bar Asase Didegahhaye Emam Khomeyni. *Eghtesad Ve Bankdariye Eslami*", 14(17), 123-151.
- Zahirinejad, M. (2014). "The State and the Rise of the Middle Class in Iran", *Hemispheres. Studies on Cultures and Societies*, 29(1), 63-79.
- Zia-Ebrahimi, R. (2011). "Self-Orientalization and Dislocation: The Uses and Abuses of the "Aryan" Discourse in Iran", *Iranian Studies*, 44(4), 445-472.

Zirinsky, M. P. (1992). "Imperial Power and Dictatorship: Britain and the Rise of Reza Shah, 1921–1926", *International Journal of Middle East Studies*, 24(4), 639-663.

Zonis, M.(1991). *Majestic Failure: The Fall of the Shah*. Chicago: University of Chicago Press.

Derleme Makale

The Historical Sociology of National Development Planning in Iran: Ideology, Rent and Contingencies Matter

İran'da Kalkınma Planlamasının Tarihsel Sosyolojisi: İdeoloji, Rant ve Olumsuzlukların Önemi

Naseraddin ALIZADEH

Dr. Öğretim Üyesi Karabük Üniversitesi, İİBF, Uluslararası İlişkiler Bölümü

alizadeh@karabuk.edu.tr

<https://orcid.org/0000-0002-0724-7394>

Genişletilmiş Özet

İran'ın ilk milli kalkınma izlencesi 1949 yılında uygulanmaya başlamıştır. Ülkede 1979 İslami Devrim sonrası on yıllık bir süre dışında bugüne değin 11 değişik kalkınma izlencesi uygulanmıştır. İslami Devrimden yaklaşık 40 yıl ve ilk kalkınma izlencesinden yaklaşık 70 yıl sonra genç eğitilmiş nüfusu olan İran sağlık, eğitim, ulaşım ve savunma altyapılarıyla ilgili önemli başarılarla imza atmıştır. Bu gelişmelere rağmen, ülke negatif büyüme oranları, yüksek işsizlik, süregelen yüksek enflasyon oranları, yerel paranın aşırı değer kaybetmesi, çevre sorunları, düşük demokrasi düzeyi ve ABD tarafından uygulanan sert ekonomik yaptırımlar gibi sıkıntılarla karşı karşıyadır.

Bu araştırmanın temel amacı İran'ın kalkınma izlencelerinde gözlemlenen yetersizlikler ve başarısızlıkların temelinde yatan nedenleri incelemektir. Bu doğrultuda, *tarihsel sosyoloji yaklaşımı* kullanılarak İran'ın milli kalkınma izlencelerindeki eksiklerin ve sorunların nedenleri irdelenmiştir. Başka bir deyişle, araştırmanın amacı İran'a özel tarihsel gelişmeleri ve ülkeyi etkileyen olumsuzluklar ve şokları göz önünde bulundurarak ekonomik izlencelerin sonuçlarına açıklama getirmektir. İran'ın kalkınma izlencelerindeki başarılar ve başarısızlıklar çeşitli incelemelerin konusu olmuştur. Bu incelemeleri iki gruba ayırabiliriz: incelemelerin çoğunluğunu kapsayan birinci grupta, iktisatçılar çeşitli makroekonomik değişkenler arasındaki ilişkiyi irdeleyerek farklı siyasetleri gösteren bu değişkenlerin en iyi nicel büyüklüğünü bulmaya çalışmışlardır. Dolayısıyla, birinci gruptaki araştırmalar, ana akım iktisadın yöntemlerini kullanarak 'evrensel' modelleri İran verileriyle tahmin etmişlerdir. İkinci grupta ise araştırmalar yalnız iktisatçıların çalışmalarıyla kısıtlı kalmayıp değişik sosyal bilim dallarında konu uzmanlar tarafından ele alınmıştır. Bu gruptaki araştırmalar, İran'ın tarihsel sosyolojisi ve ülkenin ekonomik özelliklerinden yola çıkarak kuramsal çerçeveler oluşturmaya çalışmışlardır. Grubun yeğlediği yaklaşımda ülke ekonomisinin başlangıç koşulları, özgün sosyopolitik ve sosyo-ekonomik yapısı, olumsuzlukların etkisi, toplumsal ve siyasal süreçlerin izlek oluşumundaki payı ve İran'a özel koşullarla evrensel gelişmeler arasındaki ilişkiler göz önünde bulundurulmuştur. Bu araştırmada ikinci grubun düşünceleri ile İran'da kalkınma planlamasının gelişimi birlikte ele alınarak ülkenin kalkınma izlencelerindeki başarısızlıklar ve edinimlerin başlıca nedenleri irdelenmiştir. İki gerekçeden dolayı tarihsel sosyoloji yaklaşımı bu incelemede tercih edilmiştir. İlk gerekçe, başlangıç koşullarını etkileyen kararların daha sonra uygulanan kalkınma izlencelerinin başarısını ve kapsamını da etkilemesidir. İkinci gerekçe, ekonomik kalkınma planlaması düşüncesinin önceki deneyimler, ideolojik eğilimler, petrol geliri gibi ekonomik gerçeklikler ve yaptırım, savaş ve devrim gibi olumsuzlukların etkileşimi sonucu geliştirilmesidir.

Bu araştırma, İran'da kalkınma planlamasının köklerini Kaçar devletinin 19.yüzyıldaki modernleşme girişimleri ve Rıza Şah'ın 20.yüzyıldaki ulus-devlet inşası siyasetlerinde aramaktadır. Başka bir deyişle, Kaçar devletinde başlayan yapısal reformlar, Pahlavi ve İslami Rejim döneminde kültür, siyaset, toplum ve ekonomide gerçekleşen daha geniş müdahalelerle sürdürülmüştür. Böyle müdahaleci modernleşme iki önemli sonuç doğurmuştur: kaynakları kullanma yetkisi ve gücü olanlar bu olanağı olmayanlar adına özel ve kamu sektörlerini ilgilendiren çeşitli konular hakkında karar vermişlerdir. Dolayısıyla, müdahale bir yandan güçlü kesimlere devlet gücünü kullanma ayrıcalığı tanıyıp öte yandan kamu kaynaklarının ideolojik istekler doğrultusunda harcanmasına olanak sağlamıştır. Ayrıca, petrol gelirlerinin büyüklüğü ve niteliği müdahaleci girişimlerin kapsamını ve biçimini de etkilemiştir. Son 70 yılda ülkeye giren yabancı paranın %80'ini, GSYH'nın %30'unu ve devlet bütçesinin %60'tan fazlasını oluşturan bu gelirler ekonominin başlangıç koşullarını derinden etkileyerek iki çelişkili sonuca yol açmıştır. Birincisi, bu olgu kamu kaynaklarından beslenen özel veya yarı-özel firmaların yaygınlaşmasına, enerji-yoğun üretim biçiminin genişlemesine, fiyat işleyişinin bozulmasına, kendini besleyen ekonomik çıkmazların meydana gelmesine ve çıkar gruplarının oluşmasına neden olmuştur. Böylece, ekonomi reformlara karşı direnen bir izleğe kilitlenmiştir. İkincisi, dış dünyaya karşı ideolojik meydan okumaların ve iç çatışmaların maliyetleri petrol gelirleri hesabından ödenerek ülkeyi çeşitli ekonomik yaptırımlar, savaşlar, ayaklanmalar ve istikrarsızlıklarla karşı karşıya getirmiştir.

Pragmatik ve ideolojik girişimler arasındaki çekişme İran'ın milli kalkınma planlaması mantığını ve yöntemlerini de etkilemiştir. Örneğin, yeterli yönetsel altyapıdan yoksun Rıza Şah döneminin ekonomik projeleri kısmen de olsa modernleşme kuramının önerileriyle örtüşmekteydi. Böylece, modern devleti geleneksel yönetim biçimlerinden daha güçlü gören, geleneği modern ulus-devlet inşası karşısında en önemli engellerden biri olarak tanımlayan ve kentleşmeyi kollayan modernleşme kuramı, otoriter monarşi kurmak isteyen Rıza Şah ve çevresinin bakış açısını etkilemiştir. Benzer, ideolojik eğilimler ve yönetsel yetersizlikler, Rıza Şah'ın yerine oturan Mohammad Rıza Şah ve İran İslam Cumhuriyeti dönemlerinde de sürmüştür.

Petrol noktasal kaynakları devletçe kolaylıkla denetlenip tekelleştirilebilir. Bu gibi noktasal doğal kaynakların devletin tekelinde olması Pahlavi ve İran İslam Cumhuriyetinin kendine bağlı rantçı bir kesim oluşturmasında yardımcı olmuştur. Bu yeni toplumsal kesimin ortaya çıkışı geleneksel kentli, köylü ve etnik azınlıkların zayıflamasıyla mümkün olmuştur. Petrol kaynakları üzerinde rant arama yarışması, kamu kaynaklarının verimsiz biçimde kullanılmasına, gelirin daha güçlü kesimlerin yararına yeniden paylaşımına, izleğe kilitlenme olgusunun gerçekleşmesine ve yalnız ekonomik yönü olmayan kısır döngülerin oluşmasına yol açarak ekonomik reformların toplumsal maliyetini artırmıştır.

Petrolün sondajı için gereken masrafların düşük olması devlet tekelinde olan petrol noktasal doğal kaynakların başka doğal kaynaklara göre daha kazançlı olmasını sağlamıştır. Bu gelirler son 70 yılda ülkenin GSYH'sının yaklaşık üçte birini ve 1974 yılında yarısını oluşturmuştur. Ekonomideki önemine karşın petrol sanayisinde istihdam kısıtlıdır. Böylelikle, petrol kaynaklarından elde edilen gelirler halkın durumunu üretim sürecinde etkilemeden devlet hazinesine aktarılır (yukarıya damlama olgusu). Bu önemli kaynağın paylaşımı devletin siyasetine ve çıkar grupları arasındaki denge durumuna bağlıdır. Makalenin sonuçlarına göre petrol gibi noktasal kaynaklar noktasal olmayan kaynaklarla karşılaştırıldığında farklı sonuçlar ortaya çıkmaktadır. Örneğin, toprak, orman ve su gibi noktasal olmayan kaynaklara sahip olan ülkelerde devletler bu kaynaklardan kolayca rant elde edemezler. Bu kaynakların kullanımı ve piyasaya sunumu sürecinde daha geniş çaplı istihdam gerçekleşmelidir. Ayrıca, piyasaya sunulan nihai mal ile üretimi için gereken maliyetleri arasında büyük bir açık olamaz. Sonuç olarak noktasal olmayan kaynakların piyasaya sunumu sürecinde toplumun önemli bir bölümü bu gelir kaynağından pay alır (aşağıya damlama olgusu).

Geniş devlet müdahalesi sonucu geleneksel toplumsal güçlerin zayıflaması ve devlete bağlı kesimlerin güçlenmesi ülkenin demokrasisi için gerekli etkin bağımsız oyuncuların yoksun olması anlamına gelmektedir. Böyle bir durumda siyasetin oyun kuralları büyük bir ölçüde yüksek gelir kaynağını, baskı ve propaganda araçlarını elinde toplayan çıkar grupları ve

siyasetçilerin yararına çalışır. İran örneği, etkili bağımsız grupların kamu kaynaklarının eşit paylaşımındaki önemini göstermektedir. İran’da ideolojik eğilimlerin ve rantçılığın kalkınma izlencelerinin tasarlanıp uygulanması sürecini olumsuz etkilemesi ideolojik ve çıkar gruplarını dengeleyecek toplumsal grupların yokluğuyla ilişkilidir. Devlet rantlarından ve resmî ideolojiden bağımsız olan bu gruplar siyasi karar verme süreçlerini etkileyerek kaynakların daha geniş kitleler arasında dağılımına katkıda bulunup toplumsal refahı olumlu etkiler.

Özet olarak İran’da altmış yıllık ulusal kalkınma planlaması geleneğinin varlığına karşın, ülke çeşitli ekonomik sorunlarla karşı karşıyadır. Bu çalışmada, tarihsel sosyoloji yaklaşımı kullanılarak, İran’da ulusal kalkınma planlaması düşüncesi ve uygulaması irdelenmiştir. Bu doğrultuda, yazar İran’da kalkınma planlaması düşüncesi ve uygulamasının ülkenin tarihsel, toplumsal ve siyasi devinimlerin yansısı küresel eğilimlerden etkilendiğini ileri sürmektedir. Makalenin sonuçlarına göre, pragmatik siyasetlerin yerine ideolojik amaçlara öncelik vermek, petrol rantları ve gelişmemiş demokratik kurumlar, İran’ın kalkınma izlencelerindeki başarısızlığın en önemli nedenleridir. Karşılıklı etkileşimde olan bu değişkenler İran’ın ekonomik ekosisteminin oluşturuca nedenleri ve sonuçlarıdır. Kalkınma izlenceleri böyle koşulların etkili olduğu bir ekonomik ekosistem içinde tasarlanıp uygulandığından temel sorunların çözümünde başarısız olmuştur. Böylece, petrol gelirlerinden beslenen bir çeşit ideolojik pragmatizmin demokratik kurumların oluşumunu engelleyerek kalkınma planlamalarındaki eksikliklere yol açtığı saptanmıştır. İran’ın ekonomik ekosisteminin kurucu güçleri ve sonuçları olan söz konusu iç-içe örülmüş değişkenler uzun-dönem planlama rasyonelitesine karşı direnmiştir. Reformlara karşı direnerek kendini sürdüren bu döngüyü kırmak için bağımsız toplumsal ve siyasi güçlerle birlikte kucaklayıcı demokratik kurumların gelişmesi gerekmektedir. Araştırmanın sonuçlarına göre, toplumda kapsayıcılığı artıran toplumsal ilerlemeler, ötekileşmiş kesimlere olanak sunarak demokratik oyunun kurallarında gelişmeye yol açıp çok-yönlü kalkınmanın en önemli amacı olan toplumsal refaha katkıda bulunabilir. Petrol rantlarından ve resmî ideolojiden bağımsız olan grupların yerel gelişmeler veya dış dayatmalar sonucu ortaya çıkması ülkenin ekonomisi ve siyaseti açısından farklı değişikliklerle sonuçlanabilir.

Extensive Summary

The first national development plan of Iran started in 1949 and, except for halting during the decade after the 1979 Islamic Revolution, 11 different plans have been implemented. Four decades after the 1979 Islamic revolution, and with more than six decades experience in official economic planning, Iran has a young educated population and has recorded progress in health, education, transportation, and military infrastructures; however, it suffers from negative growth rates, high unemployment, chronic two-digit inflation rates, severe devaluation in its currency, environmental disasters, low democratic standards and harsh sanctions imposed by the US.

This study aims to examine the underlying reasons for the setbacks and shortcomings in the development planning in Iran. *To this end, the study* adopts methods used in historical sociology to investigate the causes of the deficiencies and failures in development planning. In other words, this study attempts to explore the extent to which the results of the economic planning in Iran are associated with the country’s historical-social conditions and contingencies. The progresses and setbacks in national development planning in Iran have been the topic of studies that can be categorized into two general groups. The first group includes the majority of studies done by economists to understand the relationship between various macroeconomic variables and find the optimal quantitative sizes of different policies for the Iranian case. The second group, including but not limited to economists, tried to develop theoretical frameworks that take historical sociology and the peculiar economic features of Iran into account. While the first approach is loyal to mainstream economics and only uses domestic data or adds new variables to check the results of ‘universally’ accepted models for the Iranian case, the second approach has attempted to provide new perspectives through considering the initial conditions of the Iranian economy, its unique sociopolitical and socioeconomic structure, the effect of contingencies, the role of social and political procedures in path formation and their relevance to the global examples. Critically analyzing the ideas of the second group in connection with the evolution of national development

planning in Iran, this study examines the reasons they identified for setbacks in development planning in Iran.

The historical sociology method preferred for two reasons: on the one hand, the past decisions which caused changes in the initial conditions affected the scope and success of national planning, while on the other hand the ideas contributed to the reconstruction of planning narratives emerged in dialogue with the progress in planning, ideological trends, realities like oil revenues and contingencies like sanctions, war and revolution.

This study argues that development planning in Iran has its roots in the renovation attempts of the Qajar statesmen in the 19th century and Reza Shah's modernization and state-building policies in the first half of the 20th century. Therefore, efforts that started to reform state structure in the Qajar era turned into the vast intervention in the culture, polity, and economy in the Pahlavi regime and the Islamic Republic of Iran. Such an interventionist modernization bore some implications. First of all, those who had access to power sources made decisions about a wide range of private and public issues on behalf of others. Intervention enabled the privileged parts of society to take advantage of the state power to obtain private rents or dictate faction-based ideological ambitions at the expense of public resources. Moreover, the quantity and quality of oil incomes changed the scope and features of the interventions. Oil revenues constituting more than 80% of the foreign currency inflow, 30% of the GDP and more than 60% of the government budget during the last seven decades strictly changed the initial condition of the economy and led to two contradicting results. On the one hand, this phenomenon formed a new economic environment marked by the parastatal organizations, energy intensified production methods, distortion in the price system, self-enforcing economic dilemmas and interest groups all of which locked the economy in the paths that resist reforms and planning. On the other hand, these revenues fueled ideological adventures and factional confrontations which led to various sanctions, war, and uprisings, being the main reasons for instability in Iran. The rivalry between pragmatism and ideology shaped the rationale and methods of the national development planning in Iran. Despite lack of a methodological background, projects implemented during the reign of Reza Shah were partially in line with some propositions of modernization theory, which assumes modern states to be more powerful than traditional ones, considers tradition as the most important obstacle against the establishment of a modern nation-state, and supports urbanization. Similar ideological tendencies and methodological shortcomings continued during Mohammad Reza Shah's reign and the Islamic Republic of Iran. Besides, monopolized control of the oil point resources enabled the Pahlavi regime and the Islamic Republic of Iran to forge rentier dependent classes at the expense of shrinking in the traditional urban, rural and, ethnic segments of society. Rent-seeking led to welfare loss through wasting public resources and affecting income distribution in favor of the most influential insiders, and causes lock-ins by paving the way for the formation of economic deadlock and intertwined dilemmas, which in turn increase the social costs of economic reforms.

Oil point resources can easily be controlled and monopolized by the government, while the huge difference between its market price and production cost makes it highly profitable compared to the other commodities, although its drilling creates negligible employment opportunities. Therefore, oil incomes trickle up to the treasury during added value creation, whereas the trickle-down effect depends on the decisions of government and power balance between rent-seekers, who control political power, and outsiders. Such a significant source with peculiar quantitative and qualitative features caused changes in Iranian society which were different from development experiences in the West.

The devastation of the traditional social forces and the emergence of the dependent classes attest to the lack of important players in society and poor democratic institutions as the rules of a democratic game. The short-term interests, social costs of path-breaking and ideological priorities hindered the implementation of long-term policies that can improve social welfare in Iran. Development planning experience in Iran shows that the formation of effective social forces among the outsiders and democratic institutions can increase inclusiveness which in turn improves the social welfare level. Assuming the fact that destructive policies have their roots

mainly in ideological decisions or despotic interests, it seems that the lack of inclusiveness and the highly unequal power distribution among different insider and outsider groups hindering the inter-society power balance have contributed to the problem.

To sum up, the results of the study show that the lack of pragmatism, oil rents and poor institutional conditions have seen as the reasons for failure in development planning in Iran. These intertwined variables are constituent forces and outcomes of an economic ecosystem that have resisted long-term planning rationales. The study concludes that any social development that enhances inclusiveness in society through giving voice to outsiders along with improvement in the rules of the democratic game can promote social welfare as the most important target of a multidimensional development plan.